

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

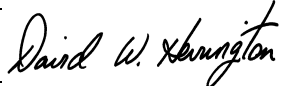
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

District Court No. 41B
City of Mount Clemens, Michigan

Financial Report
with Supplemental Information
June 30, 2006

District Court No. 4IB

City of Mount Clemens, Michigan

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Plante & Moran, PLLC
Suite 300
19176 Hall Road
Clinton Township, MI 48038
Tel: 586.416.4900
Fax: 586.416.4901
plantemoran.com

Independent Auditor's Report

To the District Court Judges
District Court No. 41B
Mount Clemens, Michigan

We have audited the accompanying statement of net assets - fiduciary funds of District Court No. 41B, City of Mount Clemens, Michigan (a component unit of the City of Mount Clemens, Michigan) as of June 30, 2006. This financial statement is the responsibility of District Court No. 41B, City of Mount Clemens, Michigan's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of District Court No. 41B, City of Mount Clemens, Michigan as of June 30, 2006, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statement taken as a whole. The other supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statement of District Court No. 41B, City of Mount Clemens, Michigan. This information has been subjected to the procedures applied in the audit of the financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

District Court No. 41B, City of Mount Clemens, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Plante & Moran, PLLC

August 22, 2006

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District Court No. 41B

City of Mount Clemens, Michigan

Statement of Net Assets

Fiduciary Funds

June 30, 2006

	District Control Unit Account	Bond and Escrow Trust Account	Total
Assets - Cash and cash equivalents (Note 3)	<u>\$ 522,423</u>	<u>\$ 145,724</u>	<u>\$ 668,147</u>
Liabilities			
Due to City of Mount Clemens	\$ 202,669	\$ -	202,669
Due to Macomb County	3,518	-	3,518
Due to Harrison Township	6,581	-	6,581
Due to Charter Township of Clinton	204,119	-	204,119
Due to State of Michigan	105,536	-	105,536
Refundable bonds	-	145,724	145,724
Total liabilities	<u>\$ 522,423</u>	<u>\$ 145,724</u>	<u>\$ 668,147</u>

District Court No. 41B

City of Mount Clemens, Michigan

Notes to Financial Statement
June 30, 2006

Note 1 - Significant Accounting Policies

The State of Michigan 41B District Court (the "Court") serves the City of Mount Clemens and Harrison Township. The Court oversees and processes items relating to traffic violations, civil infractions, and small-claims filings. It also provides probation oversight and related services. The Court is a component unit of the City of Mount Clemens, Michigan.

Reporting Entity

The Court is governed by one elected judge. As required by accounting principles generally accepted in the United States of America, the financial statement presents the State of Michigan 41B District Court. There are no component units.

The financial statement reports only the collection of amounts that are subsequently returned or paid to third parties. The operations of the Court, including all facility and related costs, are not reported in this financial statement but rather are included in the City of Mount Clemens, Michigan's General Fund.

The funds of the Court are Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Significant Accounting Policies

The accounting policies of the Court conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Fund Accounting

The accounts of the Court are organized on the basis of funds, each of which is considered a separate accounting entity. The various funds are grouped in fiduciary funds as follows:

Fiduciary Funds

Agency Funds - Agency Funds are used to account for assets held by the Court as an agent for individuals, organizations, other governments, or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Court utilizes the following Agency Funds:

District Court No. 41B

City of Mount Clemens, Michigan

Notes to Financial Statement

June 30, 2006

Note 1 - Significant Accounting Policies (Continued)

District Control Unit Account - This fund receives the Court's and the State of Michigan's share of fines and costs associated with the traffic and criminal divisions and filing fees assessed for civil and small-claim filings. The revenue is then distributed to the State of Michigan, Macomb County, Harrison Township, and the City of Mount Clemens.

Bond and Escrow Trust Account - This fund receives and holds bond monies from defendants as a promise to appear on an appointed court date. After the court date, the monies are applied to fines and costs, bond costs, forfeitures, and refunds, as appropriate.

Basis of Accounting

The Agency Funds utilize the modified accrual basis of accounting.

Other accounting policies are disclosed in other notes to the financial statement.

Note 2 - District Court Funds

District Court No. 41B is divided into four separate units, with each unit maintaining its own funds. The funds held by District Court No. 41B, City of Mount Clemens, Michigan, and District Court 41B, Charter Township of Clinton, Michigan are included in the attached financial statement.

Note 3 - Cash and Cash Equivalents

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Court has designated one bank for the deposit of its funds. The deposit and investment policies adopted by the Court in accordance with Public Act 196 of 1997 are in accordance with statutory authority.

District Court No. 41B

City of Mount Clemens, Michigan

Notes to Financial Statement
June 30, 2006

Note 3 - Cash and Cash Equivalents (Continued)

The Court's cash and investments are subject to custodial credit risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Court's deposits may not be returned to it. Cash and cash equivalents at June 30, 2006 are comprised of deposits that total \$668,147. These deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$650,470. Of that amount, \$100,000 was covered by federal depository insurance and \$550,470 was uninsured and uncollateralized. The Court believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Court evaluates each financial institution with which it deposits court funds and assesses the level of risk of each institution: only those institutions with an acceptable estimated risk level are used as depositories.

Note 4 - Court Operations

The costs relating to the operation of the Court are a budgeted item of the City of Mount Clemens, Michigan's General Fund; accordingly, such costs are paid by the General Fund. Fine and fee collections are transferred to the District Control Unit or other agencies on a monthly basis.

Note 5 - Subsequent Event

Effective July 1, 2006, the City of Mount Clemens District Court No. 41B consolidated its operations and accounting activity with the Charter Township of Clinton District Court No. 41B to form a separate legal entity. This entity is a joint venture with the City of Mount Clemens and the Charter Townships of Clinton and Harrison. In August 2006, the participating communities approved the sale of bonds not to exceed \$14 million to fund the construction of a new court facility.

Other Supplemental Information

District Court No. 41B
City of Mount Clemens, Michigan

Schedules of Cash Receipts and Disbursements
Year Ended June 30, 2006

	District Control Unit Account	Bond and Escrow Trust Account
Cash and Cash Equivalents - Beginning of year	\$ 80,152	\$ -
Receipts		
Fines and fees	918,149	-
Charter Township of Clinton District Court No. 41B	1,163,704	753,475
Bonds posted	-	17,111
Garnishments and escrow	-	8,752
Total receipts	2,081,853	779,338
Disbursements		
Transfers to:		
Charter Township of Clinton District Court No. 41B	620,094	-
Other governmental units	1,019,488	608,916
Bonds returned	-	16,876
Garnishment and escrow	-	7,822
Total disbursements	1,639,582	633,614
Cash and Cash Equivalents - End of year	\$ 522,423	\$ 145,724



Plante & Moran, PLLC
Suite 300
19176 Hall Road
Clinton Township, MI 48038
Tel: 586.416.4900
Fax: 586.416.4901
plantemoran.com

August 22, 2006

To the Honorable Judge Linda Davis
District Court No. 41B
Mount Clemens, Michigan

Dear Judge Davis:

We have completed our audit of the financial statements of District Court No. 41B, City of Mount Clemens, Michigan (the "Court") for the year ended June 30, 2006. In addition to our audit report, we offer the following comments and recommendations for your consideration:

Policies and Procedures

It is our understanding that the Court does not currently have written policies and procedures regarding its operations and internal controls. The Court does follow guidance from the State of Michigan. However, in addition to the State's guidance, we recommend that the Court office staff document the duties they perform on a daily basis. Once compiled, these summaries of policies and procedures should be reviewed for duplicated processes, areas of inefficiency, and segregation of duty issues. The final product would be a comprehensive set of accounting policies and procedures. This information would also aid in the training of new staff and the assignment of duties.

Bank Reconciliations

As a result of continuing consolidation efforts, it is our understanding Mount Clemens 41B District Court merged its bank account with Clinton Township 41B District Court in March 2006. Through discussion with court staff at Clinton Township 41B District Court, bank reconciliations had not been prepared since March 2006. The monthly reconciliation of bank accounts helps ensure that accurate financial information is available on a timely basis and serves as an important internal control. We encourage the court to prepare monthly bank reconciliations in a timely manner.

Through our testing, it was noted that prior to the merger of bank accounts, bank reconciliations prepared at Mount Clemens 41B District Court were not being signed or dated by the preparer or reviewer. We recommend that bank reconciliations be signed and dated by the preparer once complete and the reviewer once reviewed.



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To the Honorable Judge Linda Davis
District Court No. 41B
Mount Clemens, Michigan

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August 22, 2006

Overview Procedures

We encourage the Court to develop high-level analytical procedures and perform them on a monthly basis. For example, periodic reconciliations between the amount of revenue collected and the amount of tickets written, etc., could identify errors or irregularities. We recommend that the court office consider performing periodic reconciliations.

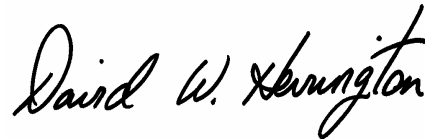
Court Merger

It is our understanding that the 41B Courts merged to become a single legal entity effective July 1, 2006. We encourage you to continue to review the implications of the transaction, including, but not limited to, personnel moves, pension responsibilities, health care transition, union contracts, accounting responsibilities and their related costs, cut-off of activity, and annual budgets. We will be available to assist you as needed to help in this transition.

We would like to express our appreciation for the courtesy and cooperation extended to us by the Courts administration and staff during the audit. If you would like to discuss any of these matters, or would like assistance in their implementation, please contact us.

Very truly yours,

PLANTE & MORAN, PLLC

A handwritten signature in black ink that reads "David W. Herrington". The signature is written in a cursive, flowing style.

David W. Herrington

A handwritten signature in black ink that reads "Lisa C. Manetta". The signature is written in a cursive, flowing style.

Lisa C. Manetta